MONETARY POLICY STATEMENT

PRESS CONFERENCE

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Jump to the transcript of the questions and answers

Good afternoon, the Vice-President and I welcome you to our press conference.

At today's meeting, the Governing Council focused on two main topics: first, the implications of our strategy review for our forward guidance on the key ECB interest rates; and, second, our assessment of the economy and our pandemic measures.

In our recent strategy review, we agreed a symmetric inflation target of two per cent over the medium term. Our policy rates have been close to their lower bound for some time and the medium-term outlook for inflation is still well below our target. In these conditions, the Governing Council today revised its forward guidance on interest rates. We did so to underline our commitment to maintain a persistently accommodative monetary policy stance to meet our inflation target.

In support of our symmetric two per cent inflation target and in line with our monetary policy strategy, the Governing Council expects the key ECB interest rates to remain at their present or lower levels until we see inflation reaching two per cent well ahead of the end of our projection horizon and durably for the rest of the projection horizon, and we judge that realised progress in underlying inflation is sufficiently advanced to be consistent with inflation stabilising at two per cent over the medium term. This may also imply a transitory period in which inflation is moderately above target.

Let me turn to the assessment of the economic outlook and our pandemic measures.

The recovery in the euro area economy is on track. More and more people are getting vaccinated, and lockdown restrictions have been eased in most euro area countries. But the pandemic continues to cast a shadow, especially as the delta variant constitutes a growing source of uncertainty. Inflation has picked up, although this increase is expected to be mostly temporary. The outlook for inflation over the medium term remains subdued.

We need to preserve favourable financing conditions for all sectors of the economy over the pandemic period. This is essential for the current rebound to turn into a lasting expansion and to offset the negative impact of the pandemic on inflation. Therefore, having confirmed our June assessment of financing conditions and the inflation outlook, we continue to expect purchases under the pandemic emergency purchase programme (PEPP) over the current quarter to be conducted at a significantly higher pace than during the first months of the year.

We also confirmed our other measures to support our price stability mandate, namely the level of the key ECB interest rates, our purchases under the asset purchase programme (APP), our reinvestment policies and our longer-term refinancing operations, as detailed in the press release published at 13:45

today. We stand ready to adjust all of our instruments, as appropriate, to ensure that inflation stabilises at our two per cent target over the medium term.

I will now outline in more detail how we see the economy and inflation developing, and then talk about our assessment of financial and monetary conditions.

Economic activity

The economy rebounded in the second quarter of the year and, as restrictions are eased, is on track for strong growth in the third quarter. We expect manufacturing to perform strongly, even though supply bottlenecks are holding back production in the near term. The reopening of large parts of the economy is supporting a vigorous bounce-back in the services sector. But the delta variant of the coronavirus could dampen this recovery in services, especially in tourism and hospitality.

As people return to shops and restaurants and resume travelling, consumer spending is rising. Better job prospects, increasing confidence and continued government support are reinforcing spending. The ongoing recovery in domestic and global demand is boosting optimism among businesses. This supports investment. For the first time since the start of the pandemic, our bank lending survey indicates that funding of fixed investment is an important factor driving the demand for loans to firms.

We expect economic activity to return to its pre-crisis level in the first quarter of next year. But there is still a long way to go before the damage to the economy caused by the pandemic is offset. The number of people in job retention schemes has been declining but remains high. Overall, there are still 3.3 million fewer people employed than before the pandemic, especially among the younger and lower skilled.

Ambitious, targeted and coordinated fiscal policy should continue to complement monetary policy in supporting the recovery. In this context, the Next Generation EU programme has a key role to play. It will contribute to a stronger and uniform recovery across euro area countries. It will also accelerate the green and digital transitions and support necessary structural reforms that lift long-term growth.

Inflation

Inflation was 1.9 per cent in June. We expect inflation to increase further over the coming months and to decline again next year. The current increase is largely being driven by higher energy prices and by base effects from the sharp fall in oil prices at the start of the pandemic and the impact of the temporary VAT reduction in Germany last year. By early 2022, the impact of these factors should fade out as they fall out of the year-on-year inflation calculation.

In the near term, the significant slack in the economy is holding back underlying inflationary pressures. Stronger demand and temporary cost pressures in the supply chain will put some upward pressure on prices. But weak wage growth and the past appreciation of the euro mean that price pressures will likely remain subdued for some time.

There is still some way to go before the fallout from the pandemic on inflation is eliminated. As the economy recovers, supported by our monetary policy measures, we expect inflation to rise over the medium term, although remaining below our target. While measures of longer-term inflation expectations have increased, they remain some distance from our two per cent target.

Risk assessment

We see the risks to the economic outlook as broadly balanced. Economic activity could outperform our expectations if consumers spend more than currently expected and draw more rapidly on the savings they have built up during the pandemic. A faster improvement in the pandemic situation could also lead to a stronger expansion than currently envisaged. But growth could underperform our expectations if the pandemic intensifies or if supply shortages turn out to be more persistent and hold back production.

Financial and monetary conditions

The recovery of growth and inflation still depends on favourable financing conditions. Market interest rates have declined since our last meeting. Financing conditions for most firms and households remain at favourable levels.

Bank lending rates for firms and households remain historically low. Firms are still well funded as a result of their borrowing in the first wave of the pandemic, which in part explains why lending to firms has slowed. By contrast, lending to households is holding up. Our most recent bank lending survey shows that credit conditions for both firms and households have stabilised. Liquidity remains abundant.

At the same time, the cost for firms of issuing equity is still high. Many firms and households have taken on more debt to weather the pandemic. Any worsening of the economy could therefore threaten their financial health, which could trickle through to the quality of banks' balance sheets. It remains essential to prevent balance sheet strains and tightening financing conditions from reinforcing each other.

Conclusion

Summing up, the euro area economy is rebounding strongly. But the outlook continues to depend on the course of the pandemic and progress with vaccinations. The current rise in inflation is expected to be largely temporary. Underlying price pressures will likely increase gradually, although leaving inflation over the medium term still well below our target. Our policy measures, including our revised forward guidance, will help the economy shift to a solid recovery and, ultimately, bring inflation to our two per cent target.

We are now ready to take your questions.

* * *

Could you run me through your discussion on changing the forward guidance? We hear that you couldn't get unanimity on the guidance two weeks ago. Did that happen today? Was the forward guidance supported unanimously or was there dissent? How is this guidance different than what you discussed two weeks ago?

Second question is about the Delta variant, which you mentioned a couple of times: we know it's more contagious and UK infection numbers are rising quite rapidly. Do you see a risk that the emergency phase of the pandemic will last longer than now many think because of Delta? Is Delta properly factored into your risk assessment?

Lagarde: Well, I will need at least an hour to go through all your questions! You cover huge ground, so let me tackle your first question, which had to do with how we reached our decision in relation to forward guidance. Let me take you back just a little bit to our strategy review and the strategy – the monetary policy strategy that we adopted unanimously. You have to think in terms of the strategy that we adopted as the framework within which we weave monetary policy. There was unanimity on the framework. This is really the basis against which we develop monetary policy as we go, and depending on circumstances, so unanimity there.

There was unanimous agreement around the table that we had to revise our forward guidance, and that forward guidance had to implement our strategy review. We did not have unanimity, but we had an overwhelming majority about the calibration of the forward guidance on ECB interest rates. That's what I had anticipated and what matters most is the fact that directionally, we were all on the same page and determined to revise the forward guidance as we did, but also to make sure that it is geared to implement our strategy. So that's very bluntly how it happens and what matters really is this chain of events, if you will, amongst us.

Now, you asked me to dissect the forward guidance that we adopted, and if you don't mind, I am going to take you through a little exercise of going through that long sentence, which is probably the one that is a little bit more lengthy in the whole presentation that I gave you. It's a bit more lengthy because the forward guidance rests on three key criteria, if you will, or three legs of forward guidance. I will take you through that. First of all, in support of our symmetric 2% inflation target and in line with our monetary policy strategy, so we are well anchored in our strategy. We remind ourselves that we are targeting 2% inflation and our commitment is symmetric. The Governing Council, so it is not relying on any kind of projections. It is the Governing Council in its judgement that expects the key ECB interest rates to remain at their present or lower levels until – and that's when it begins to be important – we see inflation reaching 2% well ahead of the end of our projection horizon. That's leg number 1.

Leg number 2: durably for the rest of the projection horizon and, third leg, we judge that realised progress in underlying inflation is sufficiently advanced to be consistent with inflation stabilising at 2% over the medium term. We add to that a sentence that you might remember from the strategy review, which is: this may also imply a transitory period in which inflation is moderately above target. So, by these three legs we are essentially saying, first of all, that we want to see inflation reach 2[1]% well ahead of the end of our projection horizon. Now, you might say, what is well ahead? Well ahead first of all is determined by judgement of the Governing Council but it is essentially the midpoint in our overall horizon.

Just to remind those of you who do not necessarily know what our projection horizon is, at the moment we project '21, '22, '23. So, we want to see at least 2% on the horizon, but well ahead of the end of this horizon. The second aspect is that we want that 2% to be durable, so we want it – and that's the second part of the statement – it says: durably for the rest of the projection horizon. So, it can oscillate a little bit but it cannot go below 2%, essentially. The third one, which is important as well, is that we want to look at the current circumstances and in particular the current underlying inflation, to see whether directionally these underlying inflation components actually lead us into that upward trend that will help us reach the 2% target that we are committed to. So you've got three legs: one that is in the present, you could argue that there is an element of outcome based in that one, where we look at the underlying inflation factor and we see whether directionally we're aiming towards our target. Then we want to see it on the horizon but we want to see that to have been sufficiently lasting so that essentially at midpoint it is already there.

The third question that you asked me had to do with the Delta variant, and on that particular point: our projections from June actually included some assumption that certain containment and lockdown measures would be continued into the third quarter and some of it still remaining during the fourth quarter of 2021. So it is factored into our projection, and all the elements that we are observing at the moment, whether it's by PMI or whether it's hard data, are really confirming our projections for the second quarter, which is coming strongly, and for the third quarter. So, we are in the hands of those who are going to take all the necessary precautions to make sure that that contagion is not producing the negative economic effects that we have seen in the past. Vaccination is clearly one of the components that we'll look at carefully.

The second consideration that we debated around the table, because it varies from one country to the other, is the fact that over the course of those waves – first, second, third waves and now fourth waves – the citizens, governments, health services are getting a bit more used to the responses that must be given in order to address the health of people, but also not to damage too much the economy.

I have a question on how the market is interpreting what you have said today. It's clearly seen as a dovish message that rates and monetary policy will stay lower for longer; would you agree?

Then I have a question on whether you have discussed PEPP and the potential change in the programme once it is expiring by the end of March, so whether you think it's needed that it has to transition into some sort of other programme.

Lagarde: I have tried to describe as well as I could the forward guidance on ECB interest rates and the fact that it is really taking into consideration three key criteria over the space of time in order to make sure that we have solid lasting elements that will actually be useful to guide our action. I wouldn't say it's lower for longer. I would say that it's an indication that none of us would want to tighten prematurely. I think we're informed by past experience and by most recent history. I think this element of patience that you have between the midpoint and the end of the horizon and the fact that it has to not only be sufficiently early and way ahead as is indicated in the forward guidance, but also lasting, is precisely intended to avoid premature tightening that would be detrimental for the economy. I think the combination of patience in order to gain confidence is what we discussed and what we tried to embed in that sentence.

On the rest: essentially I would summarise it by steady hands. The use of our instruments such as PEPP, APP, has been steady hands because we conducted the joint assessment that you are all now familiar with, which is to assess the financing conditions and determine whether they are favourable all the way through from market interest rates all the way to household loans. Then we take a good look at inflation and its various components, so based on that joint assessment, which essentially is broadly in line with what we saw in June, we decided steady hands to keep this significantly higher pace of purchases compared with what we did earlier But PEPP, that was not discussed as a programme, and anything like that would be totally premature. It was not an issue for debate.

Your new 2% target was quite front and centre when it came to your plan for interest rates today. You said that inflation should be to 2% well ahead of the end of the projection horizon, but your last projections in June actually saw inflation moving away from this 2% target. So what are you going to do about that? Doesn't this imply that a more forceful response is needed?

Secondly, again on this well ahead of the end of the projection horizon: you just mentioned that that means about the midpoint of your projection, so are we right to be looking more at the second year of your inflation forecasts rather than the first? Is there an understanding about what this actually means?

Lagarde: Well, I think it means exactly what is written in that statement. I know that it's going to take a little time to unpack it and really understand all the subtlety and the details of it, but it's pretty straightforward. We want at least 2% at the end of our projection horizon, which by the way varies over time. We do forecast '21, '22, '23 but as you know it slips into yet another year when we get closer to the end of the first year. So in December '21 we will add an extra year, so it's a little bit misleading to say your first or your second year – which is why I prefer to adopt the midpoint reference in terms of indication. It doesn't mean to say that it's cast in stone, because, by and large, the Governing Council will use its judgement to apply those criteria which I have mentioned.

On inflation: let me remind you what we are doing at the moment, and that is really the second part of the discussions that we had today. We have not changed in that respect, and we are still looking at making sure that we can preserve favourable financing conditions to all sectors of the economy. We would counter any tightening that would counter what we want to realise in terms of inflation. What do I mean by that? We want to alleviate the downside impact of the pandemic on our inflation target, and that's what we are aiming for with our PEPP. PEPP was for the emergency period of the pandemic. We are still in that period of crisis, which is why PEPP is still ongoing. We believe that any particular exit would be absolutely premature in that respect, but our goal is to come back to that pre-pandemic moment and the inflation target as we had it at the time in our forecast.

I have two questions. On this guidance, it's a bit misleading for me because in the previous guidance until June, it was referred to as inflation outlook robustly converge. Now we can see it's written the Governing Council sees inflation converge, which can be misleading because my first understanding was that it is inflation effectively measured that is at stake. But maybe you can correct me once again.

The second question: we have this affirmation that the PEPP will be conducted until the Governing Council judges that the coronavirus crisis phase is over. But what is the level of knowledge of pandemics about central bankers that would allow them to say one day that the pandemic is over? Which criteria will you use to assert that, yes, it is over?

Lagarde: I'm again going back to the sentence that encompasses our forward guidance. We say in particular that interest rates will remain at their level or lower levels until such time when the Governing Council sees inflation reaching 2% well ahead of the end of our projection horizon. So it's obvious that the 2% that we see at the end of our projection horizon and therefore which is based on a forecast, so it will be determined by staff forecast plus the judgement of the Governing Council. We are saying here that it's not going to be mechanic. It is going to also leave some space for Governing Council judgement, but it will be based on a forecast of what inflation is expected to be, the outlook for inflation at the end of the horizon – which as I said is either three years from now or a little over three years if we are at the end of the current calendar period. I hope that clarifies your concern: clearly to have inflation at the end of the two years' projection horizon requires that it be the outlook for inflation that we are talking about.

Now, you're right that the decision that was made on 18 March in relation and that actually constituted PEPP indicates that the PEPP, the pandemic emergency purchase programme, will continue until at least March '22, and such time when the Governing Council determines that the pandemic crisis is over. Now, we are not doctors. Many of us are economists, not all actually; some are even lawyers by background but we are clearly informed – as you are – by scientists, by experts, and by the observation of facts when it comes to employment, manufacturing, services, trade in the economic translation of what the crisis is about. That's how we will proceed and our hope collectively is that thanks to vaccination, thanks to determined action on the part of all citizens, that pandemic crisis will be over sooner rather than later.

I have two questions let's say on tools. The Governing Council revised the forward guidance and interest rate to underline its commitment to a persistent action, but there is no mention of the forceful action. Does it mean that the tools that then you describe and confirm are forceful enough, and this is what is implied; that the forcefulness is there?

Then I have a question on the targeted longer-term refinancing operations. In the statement you say that they remain an attractive source of funding, but you don't say anymore that they play a crucial role. Maybe I don't want to read too much into the words that you used, but how important is TLTROs refinancing and is there any forward guidance on TLTROs?

Lagarde: Well, let me clarify that latter point: we revisited and revised our forward guidance on ECB interest rates. That's what we did, and our exercise of revisiting it was limited to interest rates. You asked me about the persistence and especially forceful. Under the condition that we currently face, forward guidance can reinforce our commitment to attaining the inflation target that our policy rate will be lifted only if the evidence is sufficiently clear, sufficiently persistent, sufficiently lasting and we have the degree of confidence that our inflation rate will reach 2% on a durable basis. Now, we don't only use forward guidance, as you know very well. The other instruments that we have in the toolbox and that we are currently using will continue being used. The forward guidance is a way for us to operationalise our strategy review and to give sufficient guidance about that patience and that determination, but also about the exact criteria that we will need to see set, reached in order for us to take any action on the interest rate front.

Now, you asked me about TLTROs. This is not a matter that we have discussed on the occasion of this monetary policy meeting. TLTRO has been one of the two key tools that we've used. PEPP was one. TLTRO III and the various operations that we conducted were critically important to make sure that liquidity was abundant, to make sure that banks could finance the economy. We saw a very large uptake of the first few operations, particularly that in June[2] last year. The most recent one has been reasonable but not as large; probably because there was already a lot of liquidity available for the firms and because some precautionary lending had been put in place.

What I would underline, by the way, in terms of financing and funding is: what we are finally observing for the first time, which is that the business that is coming back for loans is coming back for capex. It's coming back for investment, and that to us is a very important sign that there is confidence in what is yet to come and in what the business will hopefully – those investments will generate in the future. That's something that we will be looking at carefully.

Two questions, if I may. One is on PEPP and your guidance on PEPP. You say – well, you repeat – the guidance that the PEPP purchases will be done to prevent a tightening of financing conditions that's inconsistent with countering the downward impact of the pandemic on the projected path of inflation. You just said earlier in your statement that you have some way to go before the fallout from the pandemic on inflation is eliminated. Does that mean that we should not expect any time soon a slowdown in the pace of PEPP purchases?

Secondly, what do you say to people who are concerned about the possibility that you could be restrained in future asset purchases by the self-imposed issuer limits, and also the capital key once the PEPP ends and those restraints re-emerge?

Lagarde: On the latter, it's fairly straightforward: we have not discussed that particular issue and there is nothing to report on that matter.

On the pace of purchases of PEPP: we will continue to be guided by the joint assessment that we have committed to, which is favourable financing conditions throughout the economy, all sectors included, and the outlook for inflation. On that front, we are very, very attentive to all the components of inflation, and while we are seeing some – we have seen some rise in inflation, 1.9% in June after 2% in May – we also want to go underneath that inflation to understand exactly what is going to move. But we have some pretty positive signs in the short term, although the medium term doesn't look as promising. I think all of that is premature, if I may say, because we will be delivering our projections in September, which will be more indicative of what we see on the outlook front in terms of possible revision. I don't know to what extent it will be revised up or down, but it will certainly have an impact on what we do going forward.

With regard to the new strategy, one could also say that its main goal is to keep interest rates as low as possible for a long time, and to shield Europe's finance ministers from market interest rates. It's a new strategy in this sense the sign that the ECB is under fiscal dominance.

The second question, if I may: according to calculations from banks, the ECB could finance the entire budget deficit of the euro countries in 2021 as it did last year. The net purchases of government bonds corresponded to the new issues, is that really not monetary state financing?

Lagarde: Well, thank you for your questions because it gives me a chance to actually reiterate what is the purpose of our strategy. Our monetary policy strategy is intended to deliver on our mandate, which is price stability. What we have done – in addition to multiple other points, but you seem to be particularly interested in that one – is that we have revised our measurement of the price stability objective by clarifying the numerical target that we have, which is 2%, number 1. Second: we have very explicitly indicated that it is symmetric, and that deviation up or down are both undesirable. Third: we have very specifically identified the need when we are at the lower bound to take some specific measures and to react especially forcefully or persistently as we get closer to the lower bound. That is the aspect of the monetary policy strategy that I think is pertinent for your question.

It is not intended to push into time the hiking of interest rates. It is not intended to keep interest rates low for longer. It is intended to deliver on our objective. It is intended to reach the target of 2%. This is what we want to do. Frankly, the quicker we can do that, the quicker we can use those other tools that we have not used a lot in the last few quarters, which is the interest rate, but we are not there. So we need to take the action that is identified in our strategy review as now developed and operationalised by the forward guidance on ECB interest rates in order to deliver on the objective that we have offered 2% inflation target. We need to do that. We are at the effective lower bound, we need to respond especially forcefully, persistently. We need to observe our forward guidance that has now been approved. If we do that properly, if we are determined then we will reach 2%, and once we reach 2% then other decisions will be made. That's the purpose of our strategy review. It's not to keep low interest for longer; it's to reach the objective that we have.

On the other one: I just want to confront you to the counterfactual; if central banks had not done what they have done, if governments had not used the fiscal arm that they had to use during the pandemic, what would have been the situation? What would have been the destruction of our economies? How many more people would have been unemployed? How would all that have stood the course of this economic crisis? I don't think that the question was: is it monetary financing, is there fiscal dominance? I think we have safeguards in the treaties. Governments have safeguards and will hopefully work soon on the new framework that they have to safeguard their respective action. But we had to do what we had to do; there was no question in my mind that we should not have done what we did.

Could you give me a quick summary of the key arguments made by those who did not agree with today's calibration of the forward guidance? That was my first question.

Secondly: at least one member of the Governing Council has gone on record recently as saying that the medium term is not two or three years, but rather that it's state dependent. Would you agree with that?

Lagarde: You know, on your first question I think you will be better off asking them. I don't want to put words in their mouth, and everybody is free to say what they want to say. What really mattered to me is that first of all we had a very friendly, open, substantive discussion around these issues. The Governing Council was together on these. Second, our strategy, which is the foundational document which is our constitution, our framework if you will, has been adopted unanimously by all members of the Governing Council. All members of the Governing Council agreed that we had to revisit our forward guidance and that we had to frame it in such a way that we could deliver on our monetary policy strategy. Now, the calibration, the timing, all of that is a matter – it's not minimal, but it's the practicalities of a general principle that was agreed. I think it's best that you ask them the question and it's a very, very small number of Governing Council members. So I am sure that you will find their door, as you will no doubt be very interested.

On the medium term, yes. We are playing with two different times, if you will. A lot of what is anchoring our forward guidance is actually the projection horizon. So we are talking about, depending on when you start the clock, three or a little over three years. That's the projection horizon and that's where we have set our three legs, the three conditions, the three criteria to trigger our decision. The medium-term horizon is probably a little beyond that and is also helping us take into account other matters that have nothing to do with inflation calculation, but which have to do with employment, with climate change, with factors that we have to take into account, but that are not specifically driven to inflation, and our inflation forecast.

My first question: I wanted to follow up on what Carolynn was saying earlier; that your projected inflation will be 1.5% or lower next year and the year after. Given your new forward guidance, doesn't that imply that you should be expanding your monetary stimulus straightaway, or soon? Or is it that you think that the new forward guidance itself will be enough? Should there be something extra?

The second question was on house prices, which are rising very quickly in the eurozone; I think the fastest pace in 15 years. Is that something that's concerning you, is that something you should be thinking about or doing something about given also your new focus on owner-occupier housing costs?

Lagarde: First of all, I would not anticipate what our inflation forecast will be next year, and the year after; we know well that forecasting is a tricky game – not a game actually – but it's a tricky exercise. I would certainly not anticipate. For the moment what we have is a forecast at the end of '23 of a sizeable 1.4%. We'll see what that is in September and I think that we have to take each quarter of projections as they come and then adjust what we need to adjust using all our instruments. Yes indeed, we believe that forward guidance is going to play a role in the set of tools that we have available, some of which we are using extensively at the moment. But as I said also, we will continue to determine by this joint assessment whether financing conditions remain favourable in order to support the recovery. We will look jointly at inflation and see what movement there is to be seen.

Your second point was about the owner-occupier housing costs, and on that page I just want to signal that I have written to President von der Leyen to ask her to please commission Eurostat in order to accelerate the work that they do in order to capture owner-occupied housing costs for the future so that we have an index that includes the owner-occupier housing costs together with other costs, and certainly to take that into account better in the index. In the meantime, we are also taking into account those costs using alternative indexes when available. This is a matter that we discussed a little bit as well in the course of our meeting today.

Just a quick question on the APP: was there any discussion around whether that also should be more strongly linked to the forward guidance alongside the forward guidance on interest rates?

Then to your point about the transitory inflation: can I please ask for a little more information on what is meant by inflation being able to go moderately above its target, and if there is any sense – as the previous question asked – about what happens if it stays below target for too long? Is there a point when that also needs to lead to more action?

Lagarde: We did not discuss any relation between APP and interest rates, and we really focussed our exercise on the work on our revisiting and revising the forward guidance on ECB interest rates. So this matter was not up for discussion today. So there is the transitory period and inflation moderately above target. That is often referred to as overshooting, so what we are saying here is that we accept the fact

– this is what is meant by this may also imply – that there will be moderate overshooting. Moderation is a factor of judgement yet again. I am not going to venture in any particular numerical assessment of what is moderate overshooting as opposed to excessive overshooting. I think what matters is that we accept it. It is incidental. It happens. We are not deliberately overshooting but we recognise that the especially forceful or persistent policy decisions that we make may imply moderate overshooting.

Two questions, if you don't mind. One is a bit of a follow-up, but you did discuss the lack of unanimity about the calibration of interest rates. Are you able to tell us what other opinions were expressed?

The second question is: you also made it very clear that it was the revision of forward guidance particularly in regard to interest rates that was up for discussion today. Does that not risk any kind of … guidance on asset purchases, particularly as we are seeing other central banks beginning to discuss that with their own forward guidance? Does it put the ECB out of sync with other central banks?

Lagarde: You know, on our meeting today: I'd like to just come back yet again to the fact that the framework and the key agreement that we have amongst ourselves is a unanimous agreement. As there was unanimous agreement around the fact that we had to develop forward guidance, adjust it to the new circumstances of the new strategy that we have and make sure that it is operational. Now, where there was some divergence, as I said minor divergence, but they are to be respected. I think I have been on record several times to say that it's perfectly fine that some might disagree. If the disagreement is at the margin – as it was today – it reinforces the collective direction that we have discussed. There was disagreement at the margin on the calibration. Then you go into the choice of words, and you can write all the articles in the world about this! What is really important to me is total agreement and unanimity on the strategy review, and the agreement to disagree on the margin on the calibration of some aspects of the forward guidance. But it's not for me to delve into that. I am sure you are going to do your job and try to figure out who said what to whom and all the rest of it.

We did revisit our forward guidance on interest rates of the ECB, and that's all that we discussed for the moment. By the way, I would be very keen to hear from you whether this monetary policy statement is more palatable and not overly disturbing for those of you who are used to identifying and red-lining what word has changed here or there. It's a significant change, but I am very grateful that all members of staff have made the effort to make it clearer for all those who care to read it.

1. Updated: The President verbatim accidentally said “3 %”

2. We saw a very large uptake of the first few operations, particularly that in June last year [updated: not in March]

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